THE MAGAZINE OF CORPORATE MANAGEMENT

BUSINESS MONTH

Take Our FAXPOLL

THE 5 BEST MANAGED COMPANIES

DOW CHEMICAL · MC

0109037 #099 LS CO
STATISTICAL REFERENCE IND
SUITE 800
4520 EAST-WEST HWY
BETHESDA MD 20814

DECEMBER 1989

BUSINESS MONTH

FEATURES

SPECIAL REPORT: **THE FIVE BEST-MANAGED COMPANIES** 26
Neither SOBs nor sob sisters, the heads of this year's picks are company men who don't toe the company line.

MANAGING PEOPLE: **TIMMBERRR!** *By Patrick Houston* 50
Will Lake Superior Paper's successful experiment in pulp populism revolutionize the American workplace?

LEADERSHIP: **HE'S BEEN WORKING ON THE RAILROAD** *By Carl Cannon* 60
It took a testy, gruff train buff to derail the Reagan scheme to scrap Amtrak.

ISSUES: **THE GREEN BARRAGE** *By Lionel Haines* 69
If U.S. companies don't clean up their act, the environmentalist Greens could put them in the red.

GLOBAL MANAGEMENT: **COWBOY CAPITALIST** *By Gregory J. Millman* 78
Karl Schakel finds third-world farming a fertile field for incentive capitalism.

DEPARTMENTS

LETTERS 4

FAXPOLL FEEDBACK 7
When it comes to corporate ethics, managers seem to have a double standard.

PERSPECTIVE 11
IBM and Digital duke it out for the mainframe market; great depressions; CEOs in business suits; and more.

LEONARD SILK/ON THE SOVIET ECONOMY 16
Alexei through the looking glass: Soviet society spies itself in the mirror of two Western novels.

NORMAN MACRAE/ON THE WANE OF JAPAN 21
Japan in the '90s may say *sayonara* to its trade surplus.

Q&A/STEVEN B. SCHLOSSSTEIN 83
Can the U.S. play a part in the Pacific century? The author of *The End of the American Century* says yes.

THE CEO/FRANK PETROCK 86
Twenty-nine things employees want to know about their boss.

MARKETING/EDWIN F. LEFKOWITH 89
In the international market, corporate identity is everything.

HUMAN RESOURCES/LAWRENCE P. CREEDON 91
Why employee alcohol-recovery programs represent money well spent.

FAXPOLL 92
Quick profits versus long-term growth—where do you stand on one of corporate America's greatest dilemmas?

COVER: NANCY RUTHS DESIGN

LETTERS

WHOSE OX IS GORED

Stuart Weiss's article "Locked Out" (October) came at a bad time for me and my family. My husband, Michael, was with BIC for 13 years, the last three as western regional sales manager. While in divorce court in 1983, Michael received a call from a secretary in the corporate office in Milford, Connecticut, asking him to meet an upper-level executive at the airport in San Francisco. Michael knew what that meant: BIC always fired people in airports. He sued the company and, five years later, after an appeal in the California District Court of Appeals, lost the case because in 1972 he had signed an application for employment in which it was stated that BIC could fire him for any reason at any time.

And here Stuart Weiss writes about executives *who are stuck in jobs paying $75,000 to $150,000 per year.* Oh, poor dears. If you know of one of those jobs that is available today, please get in touch with Michael.

KATHLEEN B. SHACKMAN
Boynton Beach, Florida

AN AMORAL DILEMMA

Leonard Silk's response to my earlier letter, in his article "Does Morality Have a Place in the Boardroom" (October), was generous, even in areas of disagreement. I would, however, like to add another word—with equal grace, I hope, and without belaboring the issue of corporate amorality (as per the first definition in the dictionary).

To disagree with Silk's closing contention that "the name of the game in a free society is trust, voluntarily given or voluntarily withdrawn" is paramount to opposing motherhood and the flag. Yet I must! We live in a democratic society in which elected lawmakers are charged with the responsibility for framing laws that impose the electorate's perception of right and wrong on our entire society, including organizations. There is a lack of trust implicit in this system that reflects unhappily on our collective character but that is realistic—cynical perhaps, but realistic.

I have no reason to believe that corporate executives are morally inferior to bricklayers, taxi drivers, or writers of letters to the editor, but they are certainly more frequently confronted by much greater temptations involving less clearly defined moral choices. Under such circumstances, it is only reasonable to limit these executives' responsibility to the maximization of return to investors by all means that comply with any applicable law. To rely on them, in the absence of such law, to abide by their own ethical standards is foolhardy.

MICHAEL L. PEARCE
East Windsor, New Jersey

Leonard Silk's article "Does Morality Have a Place in the Boardroom" should be required reading for every would-be corporate board member. A corporation does have a conscience. It is, in fact, the collective conscience of the shareholders (as represented by its elected board). Therefore, the shareholder can never be totally innocent of the wrongdoing of the corporation.

In a healthy society, profitability is moral only if it is gained while obeying the rules of right conduct. A board member must recognize this as the best long-term profit view for his corporation even if no higher motive inspires him.

The shareholder must realize that he is also the consumer, as the politician is also the constituent and the employer is also the employee. And both suffer when the rules of right conduct are ignored. Silk's remark that "ethical principles . . . constitute one of the strongest forces for keeping a society healthy and growing" is also true of corporations.

BRYAN T. HOGAN
Vice President
Dain Bosworth Incorporated

Address letters to Letters Editor, BUSINESS MONTH, 488 Madison Avenue, New York, NY 10022. All letters for publication must include the writer's name, address, and telephone number.

BUSINESS MONTH

EDITOR: LEWIS D. VORKIN

DEPUTY EDITOR: NILES A. HOWARD
EXECUTIVE EDITORS: GERALD R. ROSEN, NANCY F. SMITH
COPY CHIEF: ELIZABETH UNGAR
SENIOR EDITORS: TONY CHEMASI, TOM POST
CONTRIBUTING EDITORS: DANIEL J. FORBES, FRED V. GUTER, L. HOPE LAMPERT, NORMAN MACRAE, CHRISTY MARSHALL, STEPHEN W. QUICKEL, A.H. RASKIN, LEONARD SILK, JAMES TRAUB, NICHOLAS VON HOFFMAN
ASSOCIATE EDITORS: ALEX PRUD'HOMME, BARBARA HETZER WAGNER
ASSOCIATE ART DIRECTOR: DONNA INGRAM
ASSISTANT EDITOR: JAMES M. MARKS II
PRODUCTION MANAGER: LORI IACCINO
EDITORIAL PRODUCTION MANAGER: JOSEPH MANGHISE
COPY EDITOR: WEBSTER E. WILLIAMS
SPECIAL CORRESPONDENT: LAUREL BRUBAKER CALKINS (Houston)
REPORTERS: LISA FICKENSCHER, MATTHEW SCHWARTZ, ALISON SPROUT
EDITORIAL ASSISTANTS: LANCE W. GARMER, GREGORY HASTINGS
PRODUCTION ASSISTANTS: LYNN ONOYEYAN, ELIZABETH WOTUSIK

PRESIDENT AND PUBLISHER: STEPHEN M. BLACKER

DIRECTOR OF CIRCULATION: ROBERT LAPOINTE
BUSINESS MANAGER: BARRIS EDWARDS
REPRINTS MANAGER: KATHERINE APRUZZESE
(For reprints and permissions, call 617-227-4700)
SUBSCRIPTION SERVICES:
P.O. Box 55982, Boulder, CO 80322
800-825-2850
RESEARCH DIRECTOR: MATTHEW PASS
RESEARCH MANAGER: IRENE OCHS-LILIEN
MARKETING DIRECTOR: SUSAN POWELL MARCUS

ASSOCIATE PUBLISHER/ADVERTISING DIRECTOR:
JAY C. MACDONALD
REGIONAL ADVERTISING SALES:
NEW YORK REGIONAL MANAGERS: JONATHAN CHALON, JAMES E. CLIFFORD, JEFFREY A. DRYFOOS, DAN HOROWITZ, PERRI KOGGAN
488 Madison Avenue, New York, NY 10022
212-326-2600
NEW ENGLAND ADVERTISING MANAGER
JANET M. HAIRE
38 Commercial Wharf, Boston, MA 02110
617-227-4700
MIDWEST ADVERTISING MANAGER: KAREN L.E. WEDDINGTON
REGIONAL MANAGER: JILL SCHAEFER
35 East Wacker Drive, Chicago, IL 60601
312-368-4511
DETROIT ADVERTISING MANAGER: MARK J. ELLIS
355 South Woodward Avenue, Suite 1000
Birmingham, MI 48009
313-647-5200
WEST COAST ADVERTISING DIRECTOR
J. SCOTT CRYSTAL
3435 Wilshire Boulevard, Suite 1418
Los Angeles, CA 90010
213-383-5282

CHAIRMAN: BERNARD A. GOLDHIRSH

BUSINESS MONTH, Publication Number (ISSN: 0892-4090), DECEMBER 1989, Vol. 134, No. 6. Copyright © 1989 by Goldhirsh Group, Inc. All rights reserved. Published monthly. Editorial and advertising offices at: 488 Madison Avenue, New York, NY 10022. Telex 592-379. Tel. 212-326-2600. Subscription rate for U.S. and possessions, 12 issues for $24; foreign airmail, $45. Please state title and company when subscribing. Publisher reserves the right to refuse non-qualified controlled subscriptions. POSTMASTER: Send address changes and all mail to: BUSINESS MONTH, P.O. Box 55982, Boulder, CO 80322. In case of change of address, send an address label from a recent issue. Second-class postage paid at New York, NY, and at additional mailing offices. The contents of this publication may not be stored or reproduced in any form without consent of copyright owner. Requests for permission should be directed to: Permissions Manager, BUSINESS MONTH, 38 Commercial Wharf, Boston, MA 02110. Tel. 617-227-4700. BUSINESS MONTH™ is a registered trademark of Goldhirsh Group, Inc. Printed in U.S.A. The BUSINESS MONTH FaxPoll is a service mark of Goldhirsh Group, Inc.

MEMBER AUDIT BUREAU OF CIRCULATIONS

FAXPOLL FEEDBACK: AN ETHICAL DOUBLE STANDARD

We introduced the FaxPoll to start a dialogue with our readers about the crucial issues confronting top management. And, as shown on this page, you have a lot to say. Our first FaxPoll, on corporate ethics, drew more than 1,300 responses—some just plain opinionated, others impassioned, a few outraged. You may be surprised at just how corporate America thinks it should behave.

THE BUSINESS MONTH

FAXPOLL

Do you know right from wrong?

1. Corporate ethics should be as important a priority as profits.

2. In an overzealous attempt to help their companies, officials at two generic-drug makers lied to the FDA. Is this kind of dishonesty ever acceptable?

3. It's okay to bend the rules if the survival of your job is at stake.

4. How would you rank the following infractions?
_____ cheating on an expense report
_____ playing dirty tricks on a competitor
_____ taking credit for someone else's accomplishment
_____ paying bribes in a country where it's the accepted custom
_____ lying to protect a friend

5. Although he voted to deny shareholders a lucrative $200-a-share takeover offer, Time Inc.'s CEO entered into a different merger deal guaranteeing himself a 10-year contract for at least $14.6 million. Was this ethical?

The margin of error is plus or minus 3.3 percentage points.

1 Is capitalism wearing a different face these days? An astonishing 68.5 percent of you strongly agreed with the idea that ethical conduct should be as important to a company as the pursuit of profits; 28.6 percent simply agreed.

Just a handful of respondents felt otherwise: 1.4 percent disagreed with the statement, and 0.5 strongly disagreed; 1.1 percent of you were undecided. One reader lamented, "This country has gone downhill since Richard Nixon was let off so easy."

2 As you'd expect, an overwhelming majority—97.6 percent—turned thumbs down on drug makers who lied to the FDA. The number-one objection (46.2 percent): that dishonesty is just plain wrong. "After so many white lies," wrote one respondent, "you become color-blind."

A close second (43.3 percent) was the concern that consumers' lives were at stake. Some thought cheating was bad for business, a surefire way to kill one's reputation. Lying, wrote one subscriber, "is the death rattle of any company's management." A few resorted to a higher authority: "The wages of sin is death." "It violates God's will." "See Exodus 20:16. Thou shalt not bear false witness."

Some readers readily forgave the generic-drug makers. As a government bureaucracy, they cynically reasoned, the FDA deserves to be swindled. Cheating, claimed a subscriber, "is the only way to beat the other bastards."

EARLY RETURNS: SOFT ON DRUGS?

Most of our managers may not be that tough after all—at least when it comes to drugs. A majority of you seem to feel the best way to deal with a drug-using subordinate is to convince him to seek counseling. That's what 1,000 of you told us in the first week of November alone. Only a couple suggested firing the offender on the spot. Many are in favor of drug testing at the office. Most astonishing to us is your knowledge—or lack of it—about addiction at the workplace. Next month, in our full report, you'll find out how high up the chain of command drug abuse extends.

3 A few audacious souls (3.6 percent) admitted they would either always or often bend the rules. Nearly 55 percent claimed they'd *never* take such action.

The real story lies in the 41.6 percent of our readers who marked off "occasionally." Among that crowd were supposedly strict moralists: Fully one-third of the folks who strongly agreed that ethics were as important as profits conceded they'd lapse occasionally to save their hides.

4 By far the most egregious offense was "taking credit for someone else's accomplishment" (56.5 percent). "Playing dirty tricks on a competitor" was a distant second, with only 27 percent of our readers ranking it as the number-one infraction. Right behind that was "cheating on an expense report " (23.3 percent). "Lying to protect a friend" garnered a mere 15.1 percent. The least offensive peccadillo: "paying bribes in a country where it's the accepted custom" (13.9 percent). Nearly half of the strict moralists who strongly agreed that ethics are as important as profits weren't overly troubled by paying bribes abroad. Maybe they simply forgot that it's a federal offense.

5 A whopping 62.3 percent thought Time's CEO behaved unethically; 4.1 percent came to his defense. Significantly, 33.6 percent checked off "don't know," with some telling us we didn't provide enough info. They're absolutely right.